

Message Text

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ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 NEA-09 L-02 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 OPIC-03

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 2116

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PASS EXIM

E.O. 11652: N/A

TAGS: EGEN, CG

SUBJECT: IHC APARTMENT/HOTEL PROJECT

REF: A) KINSHASA 2728; B) STATE 076876

1. APPRECIATE CLARIFICATION REF B. WE GUESSED GATT'S STORY WAS GARBLED AND SUSPECTED THAT ITS THRUST REPRESENTED IHC'S INTENTION TO PUT BLAME ON EXIM IF EVENTUAL FAILURE OF ANY ONE OF IHC PROJECTS BROUGHT ON GOZ ANGER. THIS SUSPICION IS PARTIALLY BORNE OUT BY FOLLOWING EVENTS WHICH HAVE TRANSPIRED SINCE BURGUND'S ARRIVAL APRIL 7.

2. BURGUND SPENT FIRST WEEK HERE GOING OVER COST ESTIMATES WITH BECHTEL VP MORITZ, ICH VP FOR TECHNICAL SERVICES NEUMAN AND GATT, SHARPENED PENCILS AND MUCH SWEAT BROUGHT MARCH '75 ESTIMATE FOR APARTMENT/HOTEL EXTENSIONS/CATERING PROJECTS OF \$37,052,000 DOWN TO \$34,350,000. BURGUND DREW UP NEW FINANCIAL PLAN BASED ON THIS LATTER FIGURE WHICH DOES NOT REQUIRE ADDITIONAL EQUITY CONTRIBUTION BY IHC AND GOZ BUT WHICH WOULD REQUIRE ADDITIONAL EXIM CREDITS OF

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\$1,734,000 AND GUARANTEES OF SAME AMOUNT PLUS ADDITIONAL

FNCE LOANS TOTALING \$5,581,850. THERE FNCEB LOANS, ACCORDING TO FINANCIAL PLANS, WOULD BE GUARANTEED \$1,734,050 AS ABOVE AND \$3,847,800 BY OPIC. PLAN INCLUDES OPIC LOAN OF \$2,000,000. BURGUND PREPARED SECOND PLAN WHICH WOULD INCREASE IHC/GOZ EQUITY PARTICIPATION \$550,000 APIECE WITH CONSEQUENT LESSER AMOUNTS REQUIRED FROM EXIM, FNCEB AND OPIC.

3. AFTER BURGUND ET AL GOT ABOVE FIGURES TOGETHER, THEY MET WITH BISENGIMANA APRIL 12--WHO PROCEEDED TO SEND THEM BACK TO DRAWING BOARDS. BISENGIMANA INTERRUPTED PRESENTATION ON COST ESTIMATES AND LATEST APPROACH FROM CANADIAN CONTRACTORS TO SAY THAT 30 DEC. TAKE-OVER OF MAJOR CONSTRUCTION FIRMS HAD AS ONE OF ITS AIMS THE INTENTION TO HANDLE ALL CONTRACTS THROUGH STATE-CONTROLLED FIRM AND NOT BY NEW FOREIGN CONTRACTORS. BISENGIMANA SPECIFICALLY INSTRUCTED IHC AND BECHTEL REPS TO MEET WITH DELEQUE GENERAL OF SAFRICAS TO WORK OUT NEW COST ESTIMATES. HE SAID HE WOULD PERSONALLY RULE ON ANY DISPUTES OVER COSTS BETWEEN IHC/BECHTEL AND SAFRICAS.

4. THEN BURGUND GOT INTO FINANCING, MAKING THE POINT, ITER ALIA, THAT EXIM AND FNCEB WERE RELUCTANT TO UNDERTAKE NEW COMMITMENT. WHEN BURGUND SUGGESTED THAT BISENGIMANA MIGHT WANT TO PASS WORD TO EXIM THAT IHC PROJECTSWERE IMPORTANT TO ZAIRE--BISENGIMANA AGAIN INTERRUPTED TO SAY EXIM HESITANCY "REPRESENTED AN OVERALL AMERICAN ATTITUDE." ACCORDING TO BISENGIMANA THE U.S. WAS A "FAIR WEATHER FRIEND" AND THAT RATHER THAN "BEG" FOR ADDITIONAL LOANS/GUARANTEES IN SUCH PIDDLING AMOUNTS, HE WOULD PREFER TO SCRAPE TOGETHER CASH--WHICH HE SAID HE COULD DO BY END OF THIS MONTH. BISENGIMANA ALSO SAID OTHER COUNTRIES WERE LINING UP TO BE OF HELP DURING THIS TIME OF TEMPORARY FINANCIAL DIFFICULTY. BURGUND WAS SO TAKEN ABACK BY THIS OUTBURST--HE DROPPED THE SUBJECT.

5. THIRD FACTOR WHICH ENTERS INTO THIS STORY OCCURRED OVER WEEKEND WHEN, ACCORDING TO BURGUND, HE WAS APPROACHED BY THE REPRESENTATIVE OF AN ARAB GOVERNMENT LIMITED OFFICIAL USE

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(NOT FURTHER IDENTIFIED) WHO SAID HE WAS LOOKING FOR GOOD INVESTMENT POSSIBILITIES IN ZAIRE AND ASKED BURGUND IF HE WAS INTERESTED IN "CONCESSIONARY" MONEY FOR THE IHC PROJECTS. AGAIN, BURGUND PROFESSED TO US TO BE TAKEN ABACK AND ASKED US WHAT WE THOUGHT OF THIS DEVELOPMENT.

6. SEVERAL THOUGHTS OCCUR TO US:

A) NO ONE, NOT EVEN THE ARABS, CAN CONSIDER
ADDITIONAL FINANCING REQUIREMENTS UNTIL NEW COST
ESTIMATES ARE DRAWN UP, PER BISENGIMANA'S
INSTRUCTIONS.

B) THERE IS THE POSSIBILITY THAT A NEW LOOK AT
COSTS--THROUGH THE EYES OF STATE-CONTROLLED
SAFRICAS--COULD RESULT IN YET LOWER ESTIMATES.

C) BISENGIMANA'S PIQUE AT AMERICAN "FAIR
WEATHER FRIENDS" WAS INTENDED TO GET BACK TO US AND
TO SPRING LOOSE NEW MONEY. NOT VERY SUBTLE AND NOT
VERY SMART.

D) FROM A BUSINESS POINT OF VIEW, CONCESSIONARY
ARAB MONEY IS NOT A BAD IDEA FOR IHC TO PURSUE.
WE WANT TO MULL OVER THE POLITICAL COSTS.
HINTON

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